

M e m o r a n d u m

To: Panel Members

Date: September 22, 2006

From: Dolores Kendrick, Manager

Analyst: M. Paccereilli

Subject: One-Step Agreement for **FORTUNE FASHION INDUSTRIES LLC**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 500
 - *In California:* 485
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$315,000
- Substantial Contribution: \$0
- Total ETP Funding: \$315,000
- Total In-kind Contribution: \$350,000
 - *Trainee Wages Paid During Training:* \$350,000
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles

INTRODUCTION:

Fortune Fashion Industries LLC (FFI) is an apparel manufacturing company. The company qualifies for standard ETP funding as a manufacturing company facing out-of-state competition under Title 22 California Code of Regulations, Section 4416(b).

FFI is implementing a new Enterprise Resource Planning (ERP) system that will improve overall operation efficiencies. The company is seeking ETP funds for staff training in computer skills focusing on the new ERP system.

MEETING ETP GOALS AND OBJECTIVES:

FFI proposes training that will further the following ETP goals and objectives:

- 1) To promote California's manufacturing workforce.
- 2) To foster job retention in industries threatened by out-of-state competition.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Retrainee Job Number 1	Menu: Computer Skills	350	24-120	0	\$900	\$13.00 - \$50.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Design Artist Sales Assistant Production & Shipping Administrative Staff Purchasing Staff Manager						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the employer pays health benefits for employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 10%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 16%
<u>Other Employee Benefits:</u> 401K, Life Insurance, Bonuses, Employee Recognition Plan						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for 55 managers representing 16 percent of the trainee population.

➤ **Production During Training**

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

COMMENTS / ISSUES: (Continued)

➤ ***Contingencies***

The proposed Contractor has a current garment certificate from the Department of Labor Standards Enforcement and no reported labor violation.

RECOMMENDATION:

Staff recommends that the Panel approve this One-Step Agreement if funding is available and the project meets Panel priorities. The company has made an approximate \$2,000,000 investment in a new Enterprise Resource Planning (ERP) system and needs to upgrade the technical expertise of its workforce in the new system to improve its competitive position.

NARRATIVE:

Founded in 1991, FFI is a manufacturing company engaged in the embellishment and design of t-shirts and sweatshirts for retail and resort outlets. Among the company's client base are Disney Resorts, Universal Studios, Hard Rock Café, Wet-Seal, Kohl's, Target, and Wal-Mart. Headquartered in Vernon, California, FFI has additional facilities in Commerce, California and Kissimmee, Florida. Training in this proposal will be provided to FFI's workers employed at the Vernon facility.

FFI is requesting ETP funds to train all workers in computer skills. The company is expanding its business and the current software system can no longer support its growth. The company has invested approximately \$2,000,000 in *Microsoft Dynamics*, a new ERP system, which will go live in October 2006. Microsoft Dynamics will integrate information and services among all departments and will streamline processes, manage financial information and transactions, and facilitate the company-wide flow of strategic information. The computer skills training is necessary to successfully implement and utilize this new technology. The initial investment for the system does not include training. These employees need to be retrained in the functionality of the new system so that the company can properly handle the anticipated increase in sales.

Commitment to Training

The FFI representative states ETP funding under this Agreement will not displace the company's own training resources. According to the FFI representative, the company's annual training budget of \$100,000 allows for training in new employee orientations; State-mandated training, such as sexual harassment prevention, Health Insurance Portability and Accountability Act, Occupational Safety and Health Administration and other safety training; production; and various seminars/training provided by outside professional consultants.

Once the ETP program has concluded, FFI is committed to continue training and development activities for its employees that will keep the company competitive in this industry and provide secure employment for its workforce.

SUBCONTRACTORS:

Training vendors may provide some of the training, but they have not been determined at this time.

THIRD PARTY SERVICES:

The applicant states that no third party services were used in the development of the ETP Application.


FORTUNE FASHION INDUSTRIES LLC

MENU CURRICULUM

Class Lab Hours
24 - 120

Trainees will receive any of the following:

COMPUTER SKILLS

-  Microsoft Dynamics
 - Accounting
 - Sales
 - Purchasing
 - Production
 - Shipping
 - Scheduling
 - Receiving
 - Importing

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
